

## **EXHIBIT 1**

### **INTRODUCTION**

Respondent MedImpact Healthcare Systems, Inc. is a pharmacy benefits management corporation located in San Diego.

In 2002, during the second semi-annual campaign reporting period July 1, 2002 through December 31, 2002, Respondent MedImpact Healthcare Systems, Inc. made a \$10,000 political contribution, and thereby qualified as a “major donor committee” under the Political Reform Act (the “Act”).<sup>1</sup> As such, Respondent was required to comply with specified campaign reporting provisions of the Act.

As a major donor committee, Respondent was required by the Act to file a semi-annual campaign statement, commonly known as a “major donor statement,” disclosing Respondent’s campaign activity during the period July 1, 2002 through December 31, 2002. Respondent committed a violation of the Act by failing to timely file that semi-annual campaign statement.

For the purposes of this stipulation, Respondent’s violation is stated as follows:

Respondent MedImpact Healthcare Systems, Inc. failed to file a semi-annual campaign statement, by the January 31, 2003 due date, for the reporting period July 1, 2002 through December 31, 2002, in violation of section 84200, subdivision (b) of the Government Code.

### **SUMMARY OF THE LAW**

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and improper practices may be inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure.

Section 82013, subdivision (c) includes within the definition of “committee” any person or combination of persons who directly or indirectly makes contributions, including loans, totaling ten thousand dollars (\$10,000) or more in a calendar year to, or at the behest of, candidates or committees. This type of committee is commonly referred to as a “major donor” committee.

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<sup>1</sup> The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

Section 84200, subdivision (b) requires a major donor committee to file a semi-annual campaign statement for any reporting period in which the committee made campaign contributions. The first semi-annual campaign statement covers the reporting period January 1 to June 30, and must be filed by July 31. The second semi-annual campaign statement covers the reporting period July 1 to December 31, and must be filed by January 31 of the following year.

Section 84215, subdivision (a) requires all major donor committees that make contributions supporting or opposing state candidates, measures, or committees to file the original and a copy of their campaign statements with the office of the Secretary of State, and two copies with both the office of the Registrar-Recorder of Los Angeles County and the office of the Registrar of Voters of the City and County of San Francisco.

Section 81007.5, subdivision (a) provides that any report or statement required to be filed may be faxed by the applicable deadline to the filing official, provided that the required original and/or paper copies are sent to the filing official by first-class mail, or any other personal delivery or guaranteed overnight delivery service, within 24 hours of the applicable deadline, and provided that the total number of pages of each report or statement faxed does not exceed 30 pages.

## **SUMMARY OF THE FACTS**

On August 28, 2002, Respondent MedImpact Healthcare Systems, Inc. made a \$10,000 campaign contribution to the Governor Gray Davis Committee. By making this \$10,000 contribution, Respondent qualified as a major donor committee under section 82013, subdivision (c) and incurred reporting obligations.

Having qualified as a major donor committee, Respondent MedImpact Healthcare Systems, Inc. had a duty, under section 84200, subdivision (b), to file a semi-annual campaign statement for the reporting period July 1, 2002 through December 31, 2002, disclosing its August 28, 2002 contribution to the Governor Gray Davis Committee. Respondent was required to file, by January 1, 2003, the original statement and a copy with the Office of the Secretary of State, and two copies at all other required locations specified in section 84215, subdivision (a).

On January 31, 2003, Respondent faxed a copy of its semi-annual campaign statement to the Office of the Secretary of State, the Registrar-Recorder of Los Angeles County and the office of the Registrar of Voters of the City and County of San Francisco, but did not follow-up, as required by section 81007.5, by sending the original to the Secretary of State, and copies to the other two filing officials, within 24 hours. When the Office of the Secretary of State did not receive an original campaign statement, an official of that agency contacted Respondent regarding the improperly submitted statement and to provide Respondent with an opportunity to remedy the error. Respondent MedImpact Healthcare Systems, Inc. did not respond to the contact by the Office of the Secretary of State, nor correct the error, so the filing was rejected.

As such, Respondent failed to file a semi-annual campaign statement by the January 31, 2003 due date, in violation of section 84200, subdivision (b).

When Enforcement Division staff subsequently could not locate Respondent's semi-annual campaign statement on file with the Office of the Secretary of State for the reporting period July 1, 2002 through December 31, 2002, staff contacted Respondent MedImpact Healthcare Systems, Inc. on several occasions during April and May of 2002 regarding its failure to file a semi-annual campaign statement for the reporting period. As a result of the Enforcement Division contact, Respondent filed the delinquent semi-annual campaign statement on July 21, 2003, over five months late.

## **CONCLUSION**

This matter consists of one count, which carries a maximum possible administrative penalty of Five Thousand Dollars (\$5,000).

Although this matter could have been resolved through the Enforcement Division's Streamlined Major Donor Enforcement Program, this matter was excluded from the program when Respondent declined to reach an early resolution of the matter through that program. The administrative penalty imposed for major donor filing violations resolved outside of the Streamlined Major Donor Enforcement Program has historically ranged from \$1,500 to \$5,000 and has been determined on a case-by-case basis, depending on the mix of aggravating and mitigating circumstances.

In this case, Respondent's violation is slightly mitigated by the fact that Respondent attempted to file the semi-annual campaign statement by facsimile prior to the filing deadline. However, in aggravation, Respondent failed to respond to an attempt by the Office of the Secretary of State to remedy the deficient filing. Moreover, Enforcement Division personnel had to contact Respondent several times in order to prompt a proper filing, and then additional efforts were required by an Enforcement Division attorney to arrive at a stipulated settlement. As such, a penalty higher than that which would have been imposed under the streamlined program is appropriate. But, in light of the factors discussed above, a penalty approximating the lower end of the penalty range for cases resolved outside the streamlined program is fitting.

The facts of this case therefore justify imposition of the agreed upon penalty of One Thousand Five Hundred Dollars (\$1,500).